

**Internal Revenue Service**

District  
Director

Department of the Treasury  
P.O. Box 13163  
Baltimore, MD 21203

Person to Contact:

Telephone Number:

Refer Reply to:  
EO: Review

Date:

FEB 22 1984

Dear Applicant:

We have considered your application for recognition of exemption from Federal income tax under section 501(c)(3) of the Internal Revenue Code.

The evidence submitted indicates that you were incorporated [REDACTED], under the laws of the [REDACTED] for the primary purpose of overseeing a revitalization effort in the City of [REDACTED].

Your articles of incorporation do include a 501(c)(3) purpose clause, prohibition of inurement clause and dissolution clause.

Your activities are directed towards revitalizing the [REDACTED] area through a four-step approach. You expect to encourage a close working relationship between various merchants, businesses and civic groups; to promote and advertise the downtown area; to enhance the visual quality of the downtown buildings, signs, and window displays; and to recruit new stores to provide a balanced retail mix, convert unused space into apartments or offices, and improve the competitiveness of the Downtown's traditional merchants. In addition to the above, you will conduct surveys of businesses and consumers to determine their shopping attitudes and educate merchants and private citizens to sound business practices and the importance of cooperation among the two.

Funding is expected from grants and contributions from various sources. This income will be disbursed for salaries, supplies, postage, telephone, travel, subscriptions and other expenses.

Section 501(c)(3) of the Internal Revenue Code provides, in part, for the exemption from Federal Income Tax of Corporations, and any community chest, fund or foundations organized and operated exclusively for religious, charitable, scientific, literary or educational purposes no part of the net earnings of which inures to the benefit of any private individual.

[REDACTED]

Section 1.501(c)(3)-1(a) of the Income Tax Regulations provides that in order to be exempt as an organization described in section 501(c)(3), an organization must be both organized and operated exclusively for one or more exempt purposes specified in that section. If it fails to meet either test, it is not exempt.

Section 1.501(c)(3)-1(b)(1)(ii) stipulates that the organization's purposes, as stated in its articles, may be as broad as or more specific than, the purposes stated in section 501(c)(3).

Section 1.501(c)(3)-1(b)(1)(iv) provides that in no case shall an organization be considered to be organized for one or more exempt purposes if, by the terms of its articles, the purposes of which such organization is created are broader than the purposes specified in section 501(c)(3). Also, such an organization will not meet the organizational test as a result of statements or other evidence that the members thereof intend to operate only in furtherance of one or more exempt purposes.

In *Better Business Bureau v. U.S.*, 326 U.S. 279 (1945) Ct. D. 1650, C.B. 1945, 375, the Supreme Court determined that while some activities of the organization under consideration were educational, a substantial purpose of the organization was to promote business, and thus the organization was not operating exclusively for educational purposes.

Revenue Ruling 77-111 provides that an organization formed to increase business patronage in a deteriorated area by providing information on the area's shopping opportunities and another organization formed to revive retail sales in an area of economic decline are not operated for charitable purposes and do not qualify for exemption under section 501(c)(3) of the Code.

On the basis of the information submitted, we have concluded that you are not organized and operated exclusively for charitable and educational purposes within the meaning of section 501(c)(3) since your activities are primarily directed towards increasing business and reviving sales in [REDACTED]. The charitable and educational benefits such as educating private citizens about business practices and preventing additional tax burdens on low income property owners, are only incidental to the promotion of business.

You are not entitled to exemption as an organization described in section 501(c)(3) and are required to file Federal income tax returns on Form 1120.

Copies of this letter are being forwarded to the appropriate state officials as required by section 6104(c) of the Internal Revenue Code.

[REDACTED]

You have the right to appeal this determination if you believe that it is incorrect. To appeal, please refer to the enclosed Publication 892.

If you do not protest this determination within 30 days from the date of this letter, it will be considered by the Internal Revenue Service as a failure to exhaust available administrative remedies. Section 7428(b)(2) of the Internal Revenue Code states that in part, that " A declaratory judgement or decree under this section shall not be issued in any proceeding unless the Tax Court, the Court of Claims, or the District Court of the United States for the District of Columbia determines that the organization has exhausted all administrative remedies available to it within the Internal Revenue Service."

We would like to bring your attention to section 501(c)(6) of the Internal Revenue Code. It provides exemption for business leagues not organized for profit. It appears that you may qualify under that section. If you would like to be considered for exemption under this provision of the Code, the enclosed Form 1024 should be completed and returned to our office.

Sincerely yours,

[REDACTED]  
District Director